

## Message Text

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70

ORIGIN ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 SP-03 AID-05 EB-12 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 PM-07 H-03

INR-11 L-03 PA-04 PRS-01 TAR-02 FRB-03 INT-08 /125 R

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EB/IFD/OIA:DSTEBBING

L/EB:SBOND

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

INFO AMEMBASSY KINGSTON PRIORITY

AMEMBASSY SANTO DOMINGO

AMCONSUL PARAMARIBO

AMEMBASSY PORT AU PRINCE

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E.O. 11652: N/A

TAGS: EMIN EINV GY

SUBJECT: REYNOLDS-GOG NEGOTIATIONS

REYNOLDS HAS RELEASED THE ATTACHED BACKGROUND STATEMENT  
ON ITS GUYANA OPERATIONS TO US PRESS:

BEGIN TEXT:

"1. AFTER THE NATIONALIZATION OF THE GUYANA ASSETS OF ALCAN  
IN 1971, THE GOVERNMENT INDICATED IT WOULD BE CALLING FOR  
DISCUSSIONS OF PARTICIPATION IN REYNOLDS OPERATIONS AND

MEETINGS WITH THE COMPANY WERE INITIATED BY THE GOVERNMENT  
IN DECEMBER, 1973, AND AGAIN IN FEBRUARY, 1974. THE  
GOVERNMENT INSISTED ON MAJORITY PARTICIPATION AS WELL AS  
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MANAGEMENT OF THE REYNOLDS OPERATIONS, A CONDITION THE

COMPANY COULD NOT AGREE TO.

2. REYNOLDS HAD CONSIDERED VARIOUS MEANS OF GOVERNMENT PARTICIPATION AND PROPOSED A NEW JOINT VENTURE OPERATION WITH THE GOVERNMENT ON CALCINED BAUXITE, WHICH WOULD BE COORDINATED WITH THE EXISTING OPERATION, BUT THE GOVERNMENT EXPRESSED NO INTEREST IN SUCH A PROPOSAL.

3. IN JULY OF THIS YEAR THE PRIME MINISTER OF GUYANA ANNOUNCED TO THE PRESS AND PUBLIC THAT HE WOULD NATIONALIZE THE REYNOLDS OPERATIONS BEFORE THE END OF THE YEAR. ON THE HEELS OF THIS ANNOUNCEMENT REYNOLDS WAS

NOTIFIED THAT THE GOVERNMENT WISHED TO NEGOTIATE NEW BAUXITE PRODUCTION LEVIES RETROACTIVE TO JANUARY 1, 1974.

4. IN THESE DISCUSSIONS REYNOLDS PROPOSED A PAYMENT OF 4 MILLION DOLLARS FOR THE REMAINDER OF THIS YEAR, INCLUDING PRESENT INCOME AND OTHER TAXES AND THEREAFTER A LEVY BASED ON A PERCENTAGE OF THE REALIZED PRICE OF ALUMINUM INGOT, WHICH WOULD, AT THE PRESENT PRICE OF METAL, HAVE YIELDED REVENUES OF MORE THAN 4 MILLION DOLLARS, INCLUDING TAXES ON CALCINED BAUXITE AND CHEMICAL GRADE BAUXITE.

5. REYNOLDS MADE ITS INITIAL INVESTMENT IN GUYANA, THEN BRITISH GUIANA, IN 1952, PURCHASING THE ASSETS AND FACILITIES OF A SUBSIDIARY OF THE AMERICAN CYANAMID COMPANY WHICH HAD BEEN MINING CHEMICAL GRADE BAUXITE FOR THE ALLIED WAR EFFORT IN WORLD WAR II.

6. REYNOLDS OPERATED FOR ABOUT 10 YEARS AT THE ORIGINAL CAPACITY OF 250,000 LONG DRY TONS ANNUALLY BEFORE SUBSTANTIAL EXPANSIONS BEGAN IN 1964. PRODUCTION WAS DOUBLED THAT YEAR AND THE FOLLOWING YEAR, THE COMPANY SIGNED A 25 YEAR TAX AGREEMENT WITH THE BRITISH GUIANA GOVERNMENT SPECIFYING PRICE AND TAX BASIS EFFECTIVE UNTIL 1990. ON THE BASIS OF THIS AGREEMENT, CAPACITY WAS RAISED TO 700,000 LDT PER YEAR IN 1965 AND IN 1966 WORK BEGAN ON AN EXPANSION TO THE PRESENT CAPACITY OF LIMITED OFFICIAL USE

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1,100,000 LDT ANNUALLY.

7. ALTHOUGH MARKET CONDITIONS HAVE KEPT ACTUAL PRODUCTION BELOW THE CAPACITY LEVEL, REYNOLDS HAD PLANNED SHIPMENTS IN 1974 OF 930,000 LDT. DURING ALL THE YEARS OF THE 1965 CONTRACT REYNOLDS HAS MET ALL CONDITIONS OF THE AGREEMENT, AND HAS PAID SUBSTANTIAL INCOME TAXES IN ADDITION TO THE BAUXITE LEVIES."

END TEXT.

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## Message Attributes

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**TAGS:** EINV, EMIN, GY, REYNOLDS  
**To:** GEORGETOWN  
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